



## News Release

### Cub Energy Second Quarter Operations Update

Houston, Texas – July 10, 2014 – Cub Energy Inc. (“**Cub**” or the “**Company**”) (**TSX-V: KUB**) announces the following operations update for the second quarter ending June 30, 2014. This update includes ongoing operations from KUB-Gas LLC (“**KUB-Gas**”), which Cub has a 30% ownership interest, and Tysagaz JSC (“**Tysagaz**”), Cub’s 100% owned subsidiary.

#### Second Quarter Increased Production and Realized Prices

Average production for the second quarter was 1,868 barrels of oil equivalent per day (“**boe/d**”) (including Cub’s WI in KUB-Gas), up from 1,857 boe/d in the first quarter. This is a 25% increase over the second quarter of 2013 average production of 1,490 boe/d. The second quarter exit rate was 2,154 boe/d, representing a 10% increase from 1,952 boe/d exit rate in the first quarter. The exit rate increased from the contribution of the M-17 and RK-21 wells, both of which started production late in the second quarter 2014.

Noteworthy is the fact that KUB-Gas has reached record production with average rates for July to date reaching 35 million cubic feet per day (“**MMcf/d**”) (10.5 MMcf/d Cub WI). This is a 15% increase above 2013 production exit rates.

The estimated average prices received in Ukraine during the quarter increased to \$10.23/thousand cubic feet (“**Mcf**”) and \$79.86/barrel (“**bbl**”). The second quarter gas price was significantly higher than the \$8.67/Mcf price realized in the first quarter of 2014, as the discounts on imported Russian gas during the prior quarter expired on April 1, 2014, and Ukrainian Hryvnia (“**UAH**”) reached a more stable level vs. the U.S. dollar (“**USD**”). Gas sold in Ukraine by KUB-Gas and Tysagaz is based on the import price of Russian gas, which in turn is linked to the price of oil. Those discounts on Russian gas ended effective April 1, 2014. KUB-Gas and Tysagaz are paid in UAH, making their realized price in USD also subject to exchange rate risk. That exchange rate was substantially less volatile during the second quarter than in the first quarter, which contributed to the higher realized gas prices.

#### Drilling & Workover Update

In western Ukraine, operations continue uninterrupted. The RK-1 re-entry has reached TD of 3,995 metres, and it is currently undergoing preliminary operations prior to perforating.

In eastern Ukraine, during the second quarter, the M-17 well in Ukraine was completed and tested. Logs had indicated pay in the S5 and S6 zones, and resource potential in the R30c and S7 sections. The S7 tested 900 Mcf/d without stimulation. The S6 was tested at multiple rates, the highest of which was 6.6 MMcf/d at a flowing wellhead pressure of 2,970 psi. The S6 zone was placed on production on June 26, and has averaged 6.4 MMcf/d (1.9 MMcf/d Cub WI) to date. The S7 will be stimulated when development operations resume, and M-17 will be completed as a dual producer at that time.

The O-11 well was spud on April 4, 2014, after the drilling rig moved on from M-17. It reached its planned TD of 3,230 metres in late May, was cased and the rig released. In late June, the well was perforated, and experienced a strong air blow, followed by gas to surface. The well was shut in for a pressure build up. No further testing will be undertaken at this time.

The NM-4 well was spud on June 16, and drilled to a depth of 102 metres. Surface casing was run to 100.2 metres and cemented in place prior to suspending drilling operations.

*Cautionary Notes:* Test results noted above are not necessarily indicative of long-term performance or of ultimate recovery. The test data contained herein is considered preliminary until full pressure transient analysis is complete. Also, BOEs BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

## **Facilities**

Gas began flowing through the new treatment facility at Makeevskoye on March 6, 2014, and the M-16 well was re-routed to that new facility at the end of April. The overall configuration is now that higher pressure wells are tied into the new plant, while lower pressure wells and the production from Olgovskoye field flow through the old plant. The system has easily accommodated the new gas volumes from the M-17 well.

## **Ukraine Outlook**

In western Ukraine, Cub is continuing with its RK-1 operations and plans to then move to the RK-23 well, targeting the L and D sands.

In eastern Ukraine, once the security situation improves enough to resume development activities, drilling will resume on NM-4, after which the rig will move to M-22. NM-4 is testing a Moscovian stratigraphic trap, and if successful, will establish a new play type within Cub's Ukrainian licences. The M-22 well is targeting a new Serpukhovian accumulation to the southwest of the pool containing the M-16 and M-17 wells. A fracture stimulation campaign has also been planned in October for O-11 and O-15 (both R30c and S6 zones), NM-3 (Visean oil potential) and M-17 (S7).

## **About Cub Energy Inc.**

Cub Energy Inc. (TSX-V: KUB) is an upstream oil and gas company, with a proven track record of exploration and production cost efficiency in the Black Sea region. The Company's strategy is to implement western technology and capital, combined with local expertise and ownership, to increase value in its undeveloped land base, creating and further building a portfolio of producing oil and gas assets within a high pricing environment.

For further information please contact us or visit our website: [www.cubenergyinc.com](http://www.cubenergyinc.com)

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*Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause the results to differ materially from those expressed in the forward-looking information include, but are not limited to: general economic conditions in Ukraine, the Black Sea Region and globally; political unrest and security concerns in Ukraine; industry conditions, including fluctuations in the prices of natural gas; governmental regulation of the natural gas industry, including environmental regulation; unanticipated operating events or performance which can reduce production or cause production to be shut in or delayed; failure to obtain industry partner and other third party consents and approvals, if and when required; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for natural gas; liabilities inherent in natural gas operations; competition for, among other things, capital, acquisitions of reserves, undeveloped lands, skilled personnel and supplies; incorrect assessments of the value of acquisitions; geological, technical, drilling, processing and transportation problems; changes in tax laws and incentive programs relating to the natural gas industry; failure to realise the anticipated benefits of acquisitions and dispositions; and the other factors. Readers are cautioned that this list of risk factors should not be construed as exhaustive.*

*This cautionary statement expressly qualifies the forward-looking information contained in this news release. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.*

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